

Top Secret

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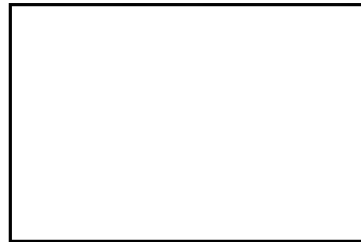
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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 13 September 1977 CG NIDC 77-213C

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Tuesday, 13 September 1977

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The NID Cable is for the purpose of informing senior US officials.

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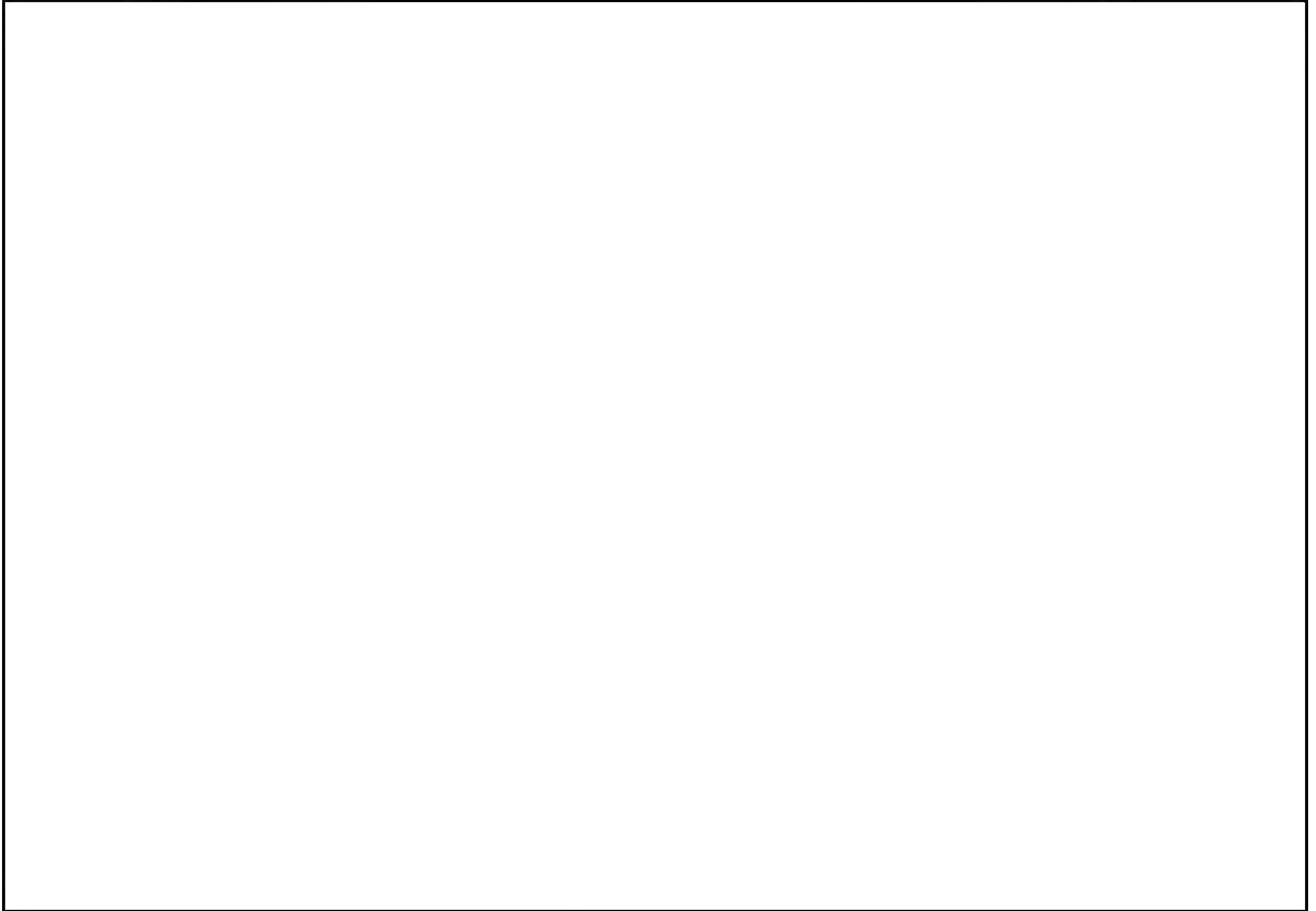
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TURKEY: Economic Package Announced

The economic stabilization measures announced by Turkey last week will do little to alleviate the country's critical foreign-exchange shortage, balance the budget, or fight inflation. The Demirel government will have to adopt additional measures to gain an International Monetary Fund loan and restore the confidence of international lenders. Without foreign funds, Turkey's industrial production will be curtailed and unemployment will worsen.

The most significant feature of the new package involves increases in prices of goods and services produced by state-owned economic enterprises. Prices of regular gasoline,

which had been subsidized, were raised 96 percent, and fuel oil prices were raised 62 percent. Prices of paper, cement, iron and steel products and electricity were increased between 25 and 70 percent; telephone and postal rates were more than doubled. Without these rate hikes, state companies would have lost an estimated \$2.5 billion in 1977.

25X1 [] The program will not lead to a balanced budget as the government asserts. While gasoline and fuel oil price hikes should discourage oil imports, Turkey's current-account deficit will still not be much below \$2.5 billion this year. The higher prices will aggravate inflation, currently running 25 percent annually. Government measures to control inflation--an increase in banks' reserve requirements and a one-year limit on consumer credit--will have little impact.

25X1 [] The raft of measures designed to improve the balance of payments, including minor concessions to exporters, disincentives for automobile imports, a five-year exchange rate guarantee on worker remittances, a renewed promise to sell off wheat stocks, and a surcharge on import guarantees, probably will have a small positive effect.

25X1 [] Turkey did not announce a substantial currency devaluation or a credible commitment to end recurrent budget deficits, moves considered important by banking circles and the IMF. Prime Minister Demirel reportedly recognizes the importance of these measures, but apparently has bowed to the views of Deputy Prime Minister Erbakan in the interest of preserving his coalition.

25X1 [] Erbakan, who controls most of the important economic policymaking posts, is firmly committed to industrialization and loath to adopt any policies that would threaten the high growth rates that have become Turkey's norm. He apparently considers the IMF suggestion for a sharp devaluation an infringement of Turkish sovereignty.

25X1 [] International bankers have made it clear that any new loans are contingent upon an agreement between Turkey and the IMF. Ankara owes an estimated \$700 to \$800 million for imports

and \$300 million in overdrafts on foreign banks. Foreign-exchange deposits totaling \$385 million will come due for redemption or renewal by the end of the year; Ankara has been having trouble meeting demands for redemption of such deposits for several months.

[redacted] Turkish officials have referred repeatedly in recent weeks to a US "economic embargo," implying that the US Government was responsible for the refusal of US banks to extend new loans and for the withdrawal of some foreign-exchange deposits by the banks from Turkey. Turkish proponents of this theory have retreated somewhat in the face of strong denials by US officials, but the shadow of the charges remains. [redacted]

[redacted]

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[redacted]

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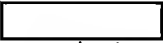
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USSR:

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 Valentin Turchin, one of the few prominent dissidents remaining in Moscow, told Western reporters yesterday that he

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had received permission to emigrate to Israel and would leave the USSR with his family within a month. He plans eventually to move to the US and to teach at Columbia University.

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[redacted] Turchin was one of the founders of the illegal Moscow branch of Amnesty International. Although he was never formally a member of the dissident Soviet group set up to monitor Moscow's compliance with the Helsinki accords, he attended its meetings and was active as an intermediary between the group and Westerners in Moscow. Since the arrest earlier this year of the monitoring group's leadership--including Yury Orlov, Anatoly Shcharansky, and Aleksandr Ginzburg--Turchin had been acting as the main spokesman and interpreter into English for this and various other dissident groups.

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[redacted] Turchin has not been publicly accused by the Soviet media of criminal activity or other misdeeds as have the arrested dissidents. His emigration is thus an easy way to divest the Moscow dissident community of one of its major contacts with Westerners. Leading dissident Andrey Sakharov said yesterday he thinks it is a "great pity" that Turchin is leaving.

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Paraguay:

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[redacted] Paraguay has decided to allow the Inter-American Human Rights Commission to visit the country after almost a year-long delay. The decision reflects the government's desire to avert a confrontation with the US. In July, Paraguay withdrew two loan applications before the International Development Bank after being advised the US would veto such loans until a visit by the commission was approved. Uruguay and Brazil exerted strong pressure on President Stroessner to deny the human rights group permission to visit, but Stroessner apparently believed that such a denial would be contrary to Paraguayan interests.

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OAU:

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[redacted] Zambian President Kaunda's announcement Sunday that his country could not be host for the Organization of African Unity extraordinary summit on Western Sahara next month is a setback for Algeria, which has been trying to keep alive its

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dispute with Morocco and Mauritania in the OAU and the UN. Morocco and Mauritania, however, will continue their efforts to scuttle the meeting altogether and to block further discussion of the Sahara problem at the UN this fall.

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[] Kaunda cited the current situation with Rhodesia as the reason for his action. He was undoubtedly also influenced by uncertainty over who would pay the considerable cost of the summit. OAU President Bongo has initiated a search for another host for the summit, but he is unlikely to be able to hold the meeting as scheduled because of the shortage of time and lack of interest among many OAU member states. []

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Nepal:

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[] //King Birendra named a former Premier, Kirti Nidhi Bista, to form a new government yesterday following the unexplained resignation last Friday of former Prime Minister Tulsi Giri. Five of eight cabinet ministers under Giri, including the former foreign minister, have been recalled to serve in the new government.//

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[] //Bista, who served as prime minister from 1969 to 1970 and again from 1971 to 1973, has no political following of his own and owes his appointment exclusively to the King, who dominates Nepalese politics. Bista's early pro-Chinese and

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anti-Indian sentiments have reportedly moderated in recent years. The new Prime Minister is considered an experienced and competent, though far from brilliant, administrator who prefers delegating responsibility to making hard political decisions.

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Chile:

[] President Pinochet, reflecting a familiar tough determination, announced Sunday that the state of siege in effect since 1973 will continue. The overall tone of his address on the fourth anniversary of the overthrow of the Allende regime was mildly upbeat, as he cited some economic gains and political initiatives.

[] Pinochet said Chile will not modify the route it has mapped out in order to gain the "good graces" of certain countries. He did acknowledge a slow but progressive improvement in the attitude of the US toward "Chilean reality."

[] After Pinochet's announcement in July of a phased return to limited popular elections by 1985, administration spokesmen apparently had some second thoughts about a timetable; they subsequently emphasized they intended to keep the process tightly in hand and criticized "impatient" Chileans. Thus, although Pinochet's announcement is no real surprise, it will disappoint the many observers who had hoped he would follow up on pledges of a return to constitutional rule by easing restrictions.

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